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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

1 September 1959

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Implications of the Soviet-Ethiopian Aid Deal

1. The recently announced program of Soviet assistance to Ethiopia clearly represents a significant step forward in the USSR's drive for influence in the underdeveloped world and -- coupled with assistance to the newly independent state of Guinea -- reflects a growing Bloc interest in Africa. The key element in the program is a development credit of 400 million rubles repayable over 17 years at the usual low Soviet interest rate of $2\frac{1}{2}$ percent. At the official conversion rate, this would amount to \$100 million or almost as much as total US aid to Ethiopia to date. Also included are a trade agreement, a gift to the Emperor of an IL-14 transportation plane, and Soviet promises to construct and equip a secondary school for 1,000 students and to provide medical equipment for a hospital in Addis Ababa. The Ethiopians have denied reports that the program included assistance for the presently US-supported Ethiopian military establishment.

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2. The Emperor's acceptance of so large a package is a sharp departure from the policy he has pursued in recent years of minimizing Ethiopian ties with the Bloc and cultivating US support. To some extent, this shift may represent a simple desire to take advantage of assistance of a magnitude and type which the US was evidently unwilling to provide; the Emperor was almost certainly tempted by the prospect of being awarded a sizable line of credit without first having to work up detailed project specifications of the sort the US requires. The shift may also reflect a desire to refurbish Ethiopian neutrality in an effort to enhance Ethiopia's stature among independent African nations.

3. There has, however, been growing friction in US-Ethiopian relations, and the Emperor's trip to Moscow and his acceptance of the Soviet offer probably stems in large part from dissatisfaction with the US. The Emperor has been increasingly irritated over US unwillingness to support expansion of the Ethiopian Army and provide other assistance which he believes he deserves in return for his alignment with the US. Even more important, the Ethiopians feel that the US let them down by failing to support their policies regarding the Somali territories.

- 2 -

SECRET

SECRET

4. The Somali problem is becoming acute with Somalia scheduled to obtain independence in 1960 and British Somaliland soon thereafter. The Ethiopians strongly oppose the Greater Somalia concept for unification of the Somali peoples, for fear of losing their Somali-majority areas in the Ogaden and Haud regions. In contrast, they argue that the incorporation of Somali areas into Ethiopia offers the only chance of stability in the area.

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There is indication that the Ethiopians, with the expectation of Soviet, Egyptian, and French support, are prepared to air their grievances on the Greater Somalia issue at the impending session of the UN General Assembly.

5. Initial Ethiopian elation over the announcement of the Soviet aid program has been tempered by realization that the USSR was providing a credit rather than an outright gift and by concern among some of the regime's prominent supporters in the nobility and clergy as to the implications of increased ties with the USSR. However, there appears to be no doubt that the initial steps toward implementation of the Soviet aid program will be taken promptly. There is evidence that 120 Soviet technicians are scheduled to arrive in

- 3 -

SECRET

SECRET

Ethiopia in early October to undertake a survey of Ethiopian needs. The carrying out of the development program is likely to be complicated, as the US program has been, by the [REDACTED] suspicion of the Ethiopian bureaucracy. The trade agreement, as the Ethiopian Foreign Minister has indicated, is probably little more than a statement of intent, in view of the established Western market for Ethiopia's principal export item, coffee. However, there will probably be some progress in implementing the agreement over the next few years.

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6. Despite its longer range subversive potentials, the increased Soviet presence in Ethiopia will probably not result in an early and dramatic internal threat. There is no Communist party or large body of Communist sympathizers in Ethiopia which can identify itself with the expected influx of Soviet personnel. The Emperor will almost certainly subject Soviet technicians to strict surveillance, and it is probable that the USSR will seek to behave circumspectly, as it has in other [REDACTED] countries. We believe that the Emperor will seek to avoid the degree of dependence on the Bloc into which Egypt has fallen. However, the possibility cannot be excluded that Ethiopia might eventually be willing to accept Soviet arms.

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- 4 -

SECRET

SECRET

7. The Soviet aid program comes at a time when the internal political situation in Ethiopia is likely to become increasingly disturbed. The Emperor, at 67, is fast slowing down, and rumors are spreading regarding the deterioration of his mental capacities. In addition, there is no assurance that the Crown Prince will succeed in asserting his rights to the throne. Already there is considerable jockeying within the regime in anticipation of an eventual transfer of power. The Emperor's failure to win US support for his Somali policy and the signing of the Soviet aid agreement serve as additional grist for competing factions. Although rumors of impending coups are current, we do not foresee any marked deterioration of internal stability in the near future. The well armed Imperial Bodyguard of 8,000 men probably holds the key to the success or failure of any challenge to the regime and it probably remains loyal to the Emperor. In the event of the Emperor's death, or of a marked deterioration of his faculties, a struggle for power would probably ensue in which the Soviets might be able to exercise significant influence.

8. While the full implication of the acceptance of Soviet aid will probably not become clear immediately -- the Emperor has just returned from his extended Moscow and European tour -- we do not

- 5 -

SECRET

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believe that it means the abandonment of Ethiopian ties with the US.

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it is patently in

the interest of their government to maintain the present US interest in Ethiopia, not only because of the intrinsic value of the US aid program but also because of their need of the US as a counterweight against the USSR. The Ethiopians probably have some hope that the Soviet deal and Khrushchev's projected visit to Addis Ababa this fall will push the US into increasing its own military and economic aid.

9. However, Ethiopia is almost certain to adopt a stiffer attitude toward the US during the next few years. We believe the odds are against the Emperor's taking early action to oust the US from the important US communications facilities at Kagnaw Base, Asmara, despite reports that he had promised Khrushchev he would do so in exchange for Soviet economic aid and Soviet support on the Somali issue. We believe that he would prefer to preserve the base as a bargaining counter in trying to change the US attitude on the Somali issue and, in any event, would wish to avoid provoking a major break with the US. However, we cannot exclude the possibility that the Emperor might make serious efforts to expel the US from the Kagnaw Base if US-Ethiopian tensions over Somalia and other issues

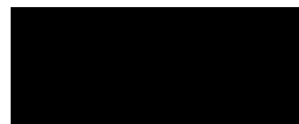
-6-

SECRET

SECRET

became sufficiently acute. At best, the Emperor will probably demand additional economic as well as political benefits in return for his acceptance of continued US use of the base, and he may seek to limit the scale of US activities there as well.

FOR THE BOARD OF NATIONAL ESTIMATES



Acting Chairman

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- 7 -

SECRET